

Utah State Building Board



MEETING

January 6, 2000

MINUTES

On Thursday, January 6, 2000, a Utah State Building Board monthly meeting was held at the State Office Building in Salt Lake City, Utah. The meeting was called to order at 10:00 a.m. by Chairman David Adams.

Utah State Building Board Members in Attendance:

David Adams, Chair
Keith Stepan, Vice-Chair
Chuck Canfield
Joseph A. Jenkins
Lynne Ward
Kay Waxman

Utah State Building Board Members Excused:

Mary L. C. Flood
R. Haze Hunter

Division of Facilities Construction and Management Staff in Attendance:

Richard E. Byfield, Director	Alyn Lunceford
Alan Bachman	Ken Nye
Kent D. Beers	Jack Quintana
Sylvia Haro	Cheryl Rae Searle
Lynn Hinrichs	David Williams
Rick James	Robert Woodhead

Guests in Attendance:

Rick Brown	-Utah Correctional Industries
David Clark	-UDAF
Dan Harrie	-Salt Lake Tribune
Darrell Hart	-Utah State University
Bart Hopkins	-Department of Human Services
John W. Huish	-University of Utah
Fred Hunsaker	-Utah State University

Stanley Kane	-Utah State University
Dix McMullin	-ECDC
Richard McMullin	-ECDC
Elizabeth Mitchell	-AIA Utah
Dan Olsen	-Governor=s Office of Budget and Planning
Representative Loraine T. Pace	-Utah House of Representatives
Michael Reid	-Southern Utah University
Gordon Storrs	-Salt Lake Community College
Lynn A. Samsel	-Department of Human Services
Norm Tarbox	-Regent=s Office
Pete van der Have	-University of Utah
Ralph Wakley	-Standard-Examiner
Kevin Walthers	-Legislative Fiscal Analyst=s Office
Kim Wixon	-Department of Health

① APPROVAL OF MINUTES

MOTION: Kay Waxman made a motion to approve the minutes from the meeting held on November 16, 1999, with no corrections. Lynne Ward seconded the motion. The motion was unanimously approved.

① ADMINISTRATIVE REPORTS

University of Utah

John Huish reported that five new Architecture/Engineering agreements had been awarded in the period from October 29 to December 13. The University inadvertently duplicated two projects reported at last month=s meeting, the Merrill Engineering Building asbestos ceiling tile abatement and the Wasatch Drive pedestrian bridge. Mr. Huish apologizes for the redundancy.

Four new construction contracts have been awarded in the period. On both lists is a project called the Eccles House Restoration, referring to the Eccles Mansion that was gifted to the University. The designer and contractor for the Eccles Mansion were awarded directly, as stipulated as part of the gift.

There has been no activity in the Contingency Reserve fund for the period. There has been a close-out of one of the projects in the Contingency Fund and some activity on that account. A project has been closed-out in the Project Reserve Fund. The project to replace a chiller in the Law Building was underbid, allowing for fund replenishment in the amount of \$44,611.48. Activity in the Statewide Improvement account includes roofing and infrastructure projects. The Construction Contract Status Report indicates

that the University has completed 14 projects in the period. Six contracts are open, and four are new. All projects are in a good state of progress and completion. Completing the Report is the list of Delegated Projects, which indicates 30 projects, the list reducing every month. The University is down to \$110 million worth of construction projects.

Mr. Huish went on to explain that he, Mr. Byfield, and Mr. Turpin had discussed the pending project for expansion of the University Hospital, which received legislative approval in 1993. The new Executive Vice President for Health Sciences, Lorris Betz, wants to rekindle the project. The project has changed considerably in scope and is still in the formative stages. Mr. Huish and Mr. Turpin have discussed with Mr. Byfield to seek the assistance of DFCM in programming. The project will have to be reprogrammed, although a master plan was done before. It is believed that the prior legislative approval will still hold. The project, which has been reduced in scope, is roughly estimated to cost around \$25 million. Mr. Byfield mentioned that it is important that the Board be made aware of the project, asking it to recognize that it will add to DFCM=s workload. No decisions have been made for delivery strategies.

MOTION: Keith Stepan made a motion to approve the administrative report from the University of Utah as presented by John Huish. Kay Waxman seconded the motion. The motion was unanimously approved.

Utah State University

Stanley Kane, Assistant Director for Campus Planning at Utah State University, presented the Delegated Project Report. One Architecture/Engineering Agreement was made in the period: a contract for water-supply analysis, in connection with the Horticultural Greenhouse renovation. One construction contract was awarded, also for the Horticultural Greenhouse renovation, which was awarded to the low bidder. State funding for the project was \$500,000 and funds were supplemented by departmental funds. The Contingency Reserve Fund was drawn down \$400, to pay for the water-supply analysis. The only activity in the Project Reserve Fund was to use \$14,294.00 to help supplement the \$240,000 budget shortfall on the Horticultural Greenhouse. Departmental funds have come up with \$240,000 and are seeking private donations to replenish what they have committed to the Greenhouse. The soft costs for contingency fund and design fees took it up over \$200,000. The bid climate was not as favorable as what the architect thought it would be. USU took the lowest bid. Utah State currently has 40 delegated projects in various stages of design and construction.

MOTION: Keith Stepan made a motion to approve the Utah State University administrative report as presented by Stanley Kane. Kay

Waxman seconded the motion. The motion was unanimously approved.

① **UTAH STATE UNIVERSITY INFRASTRUCTURE STUDY**

Fred Hunsaker is called forth to report on the infrastructure needs of Utah State University. The Board, recognizing the cost for major line replacement was \$32 million, appropriated funds for a study to determine the total infrastructure costs and problems at Utah State University. The study was initiated because of the need to understand the current condition of Utah State University's infrastructure and to determine ways to optimize the expenditure of infrastructure dollars over time. Three categories have been determined: 1) urgent problems in need of immediate (2-5 years) attention; 2) longer-range projection of the costs involved over a 20-year period, for replacement and ongoing costs of infrastructure; 3) the growth issue. Enrollment projections made by the Board of Regents measure growth over the next 20 years. The study was inclusive of all types of utilities, including chilling needs, communications and telephone, water distribution, storm and drainage systems, and other needs. Problems with the heat plant, boilers, and the distribution system, initially gave rise to the need for the study, as utility problems are dealt with much more effectively when trenches are open and other problems are repaired. The study is data-based and comprehensive. A national infrastructure planning firm headed up a team of firms to conduct the study. Utah State University has just completed a campus-wide master plan for facilities, and this study has followed up the master plan. \$124.5 million of infrastructure work needs to be done over a 20-year period. That involves a category of needs that are urgent, mainly because of the age of the heat plant and the risk of failure in that system. \$40.5 million will be dedicated to that. The next category is the renewal and replacement of existing systems, and the last category is growth. Demographics indicates to Utah State University that they should be at an FTE of 26,000 in the next 20 years. The growth category of \$51.5 million is to accommodate growth needs. The study includes, in the future category, the expansion of the boiler plant to meet the growth needs. Mr. Nielsen replies that the building will have to be expandable to accommodate the additional boilers. Chair asked if the main supply lines will be large enough to handle future expansion. Mr. Nielsen replied that they will. Utah State University is proposing a distribution system that allows them to optimize expenditure over time. Pieces of the tunnel system that allows the flexibility to get the greatest value for the dollar will be built

Mr. Byfield mentioned that it is important to recognize that as buildings are added to handle growth, infrastructure issues will mostly be covered with each building. That doesn't require specific appropriation over the next 20 years.

The overall plan is integrated to optimize the expenditure to provide reliable utility

systems. For example, when a utility is replaced, Utah State University will explore replacing other aged utilities adjacent to that, so that the dollars will be used to the best benefit to the State. The first priority is the urgent needs, because the useful life of some of the infrastructure has been exceeded, especially in the heat plant. The risk of failure is significant. The regulatory constraints required Utah State University to write a plan to the Department of Environmental Quality that committed to a reduction in pollution. The restriction will continue to grow. The building of a new plant is the most cost-effective way of solving the heat-plant problem.

The next issue in the urgent needs category is the distribution system required to connect the new steam plant into the system. The direct buried system for steam distribution has exceeded its useful life. The urgent need would address the problems of heat and water loss amounting to 25,000 gallons per day. Costs of the water loss has been around \$200,000 per year. Already, \$2 million has been placed into distribution and heat plant to handle emergency needs that have arisen. \$100,000 per year will be saved with the new plant. The savings will come from the new heating system=s use of natural gas, which costs more than coal, but the loss in the distribution system makes the program cost-effective.

The renewal and replacement category deals with the remainder of the existing system. The plan recommends implementation of a central chilled water plant. Central cooling will also increase the functionality of educational space. Electrical distribution and substations will need to be replaced, as will natural gas lines. Culinary water systems will need to be installed. Communications improvements are included. The capacity of all systems will need to be upgraded to meet anticipated growth. The 23 identified replacement and renewal projects equal \$32 million. There are 122 projects identified under the future growth category.

The study has expressed that there are \$40 million in urgent needs, based on risk and the life of the systems. There is a request that amounts to \$31 million to repair a portion of the distribution system in the central plant. The remainder of the tunnel system in the urgent needs would need to be completed as soon as possible after the first phase.

Utah State University has identified a capital need of \$124.5 million over a 20 year period. They can logically plan ahead to accommodate it so as to eliminate emergency situations. There is a logical process to accomplish 155 infrastructure-related projects over this 20-year period. Utah State University is determined to optimize the expenditure of State dollars.

Mr. Byfield mentioned that, looking at the life cycle, it made more sense to construct a utilities tunnel because it would be more cost-effective in the long run. You can run all future utility lines through the tunnel, so as not to incur the costs of direct burial of future lines. The tunnel is sized for chilled-water capacity, which consists of two three-foot diameter steel pipes.

Chairman Adams indicated that he would like the Board to take a look at the cost of the tunnel designated as number one. Chairman Adams asked Utah State University to review the costs with the Board in their Delegated Projects report at the next meeting.



CAPITAL BUDGET RECOMMENDATIONS.....

Ken Nye presented the Capital Budget Recommendations. The Governor is recommending to fund the minimum amount required by statute for capital improvements, which is \$36,753,000, which is less than the Board's recommendation of \$57 million. The Governor's budget recommendation also takes the funding that in the past has been in the base budget for capital projects and shifts those funds to other purposes. There are a few projects that the Governor recommended from other state funds. Other funding sources are available to take care of the planning on the Capitol building as well as federal funds for the Adult Corrections Privatized Parole Transition Center, the St. George Youth Corrections expansion, and the Workforce Services property purchase in Logan. The Governor also recommended all non-state-funded projects.

Mr. Byfield indicated that \$1.46 million for the State Capitol project is coming from DFCM Project Reserve Fund. DFCM initially offered a smaller amount.

Mr. Nye reviewed the amounts authorized last year from each funding source and compared them to the Governor's recommendations. The greatest difference in funding between this year and last are the lack of bonding and the reduction in the General Fund and the Uniform School Fund.

Mr. Byfield cautioned that funding for capital outlays generally takes two (2) to three (3) years before it impacts DFCM's workload. The Governor's Capital Projects proposal is roughly \$125 million. In DFCM's workload base, the University of Utah Housing Project, approved about three sessions ago for \$121 million is now in its last stages of completion. It takes several years to see a project to completion. If this trend line continues, it would be wise in a few years to reassess DFCM's staffing needs.

Mr. Nye mentioned that the Executive Appropriations Committee met in December and directed the Legislative Fiscal Analyst to prepare budget recommendations using the

base budget from last year=s appropriations. That would leave the \$59 million to be recommended by the Analyst. The Analyst=s recommendation likely will come within the next three weeks, at which time they will be distributed to the Board.

Mr. Jenkins cited that in the Building Board=s October and December meetings, the Board went on record as saying there would be no new buildings. Secondly, the Board noted that buildings in Utah are deteriorating rapidly and improvement and renovation dollars are lacking. The Board made as a priority, a motion to use the base budget of \$57 million for AR&I, which is not building new buildings. By having the Governor to take away monies for AR&I, the Board is prolonging the maintenance requirements on the buildings. The Executive Appropriations will put the money back into the base, but Mr. Jenkins believes that the Fiscal Analyst will recommend a construction project out of the AR&I, which will bring the budget back down to a smaller amount. This is a concern since the Board determined AR&I projects to be a top priority.

Mr. Byfield noted that the minimum funding level for improvements is determined by statute at 9/10ths of one percent (1%). The Analyst=s recommendation cannot be less than \$36.7 million. It is short from what the Board=s recommendation was, but the base funds will be there regardless, because of statute. Mr. Jenkins stated that he would prefer the AR&I funds to stay the same and that the Legislature bond or lease the \$31 million to do the Utah State University project. If the state doesn=t do this, it will cost more in the future because the buildings will deteriorate. The Board also took \$3 million out of the \$59 million and reserved it for whatever project the Board wished to direct the funds toward, recognizing that some of the dollars would go to the capitol. Mr. Jenkins asked if the \$3 million was still present, or will the board have to reallocate the funds?

Mr. Byfield explained that the \$36 million is for improvements, not planning or programming. By the actions of the Governor, the only amount that DFCM has is a small amount in the Planning Fund which is reimbursed when projects are funded. These funds require a line-item appropriation by the Legislature. Mr. Byfield understood that the Building Board sought \$100 million in bonding for projects in addition to the \$57 million to catch up on existing problems due to lack-of-maintenance.

Ms. Raylene Ireland added that DFCM will be in a process with the Legislative and Executive branches in terms of helping everyone come to terms with AR&I issues. It is a matter of time to get the message out. Over time an appropriate level of funds will be committed to AR&I. Chairman Adams mentioned that there were \$147 million worth of short-listed projects, 80% of which didn=t include additional square-footage. It was renovation and replacement of buildings as a result of a decaying infrastructure. The Chair hopes that fact underlies the seriousness of the problem the Board faces.

Mr. Chuck Canfield noted that the Board recommended bonding in the hope that the

AR&I issue can be resolved in the future. The essence of the Board=s recommendation was that the Legislature look into bonding=s viability as a funding mechanism. The Board is funding capital improvements and capital outlays at too small a level.

Rep. Loraine Pace mentioned that she shares the Board=s concern for deferred maintenance.

She is not opposed to limited bonding. She implored the Board to lobby each committee member if they want the funding to happen.



PROPOSED LEGISLATION.....

Mr. Nye reported on proposed legislation. He reviewed DFCM=s amendment bill and noted that a few significant changes have been made since it was discussed at the last meeting. A principle issue in the bill is addressing projects require Legislative approval. DFCM is proposing additional exemptions from requiring Legislative approval. Currently, when a new building costs less than \$100,000 it does not require Legislative approval. The bill raises that level to \$250,000. DFCM is seeking a provision so that a facility can be demolished and replaced without Legislative approval for up to \$1 million. Another new exemption being proposed is to allow the Building Board to authorize non-state-funded projects without Legislative approval, provided that the institution can demonstrate to the Board that the state funds are not involved. Most of these projects are in Higher Education. Rep. Adair has asked that the legislation contain a provision that legislative approval would have to be sought before a building can be built at the Fair Park.

Changes in DFCM=s administrative role are also part of the proposed legislation. Mr. Jenkins expressed concern about the institutions that are able to seek and receive donations and continue to be well funded, whereas some institutions are not well funded. There is a concern about the equity of the balance of the proposal of non-state funds and how they are used. Mr. Nye explained that the exemption DFCM is

proposing only comes into play if the project request is entirely non-state funded. Many of the requests that even the larger schools present for non-state funded projects require state funds for O&M or capital improvements, so those projects would require legislative approval.

A requirement is being added into the legislation. If a building costing more than \$250,000 is being purchased by a higher education institution, it would have to be approved by the legislature, unless it could meet the exemption for the Building Board to approve it because it did not involve state funds. Currently, institutions have unlimited ability to acquire property as long as they can pay for it. The proposed language only addresses buildings, as opposed to land. If the building is going to create a state obligation for O&M costs, the legislature would have to provide funds subsequently. It might be appropriate for the legislature to approve an acquisition upfront.

Rep. Adair's bill for capital improvement funding is being pursued. The initial bill raises the funding level to \$40 million. The bill may be modified to raise the funding level to \$45 million. There is another bill by Rep. Adair dealing with UDOT transportation facilities, allowing the Transportation Commission to approve and exchange of a UDOT maintenance facility for a replacement facility. This would allow them to make such a change without legislative approval.

Sen. Blackham is sponsoring legislation authorizing the UCI Business Park, and the proposal is such that future buildings built on the site needn't get legislative approval. DFCM would enter into each lease individually. If the Board requests, each project can be brought to the Board beforehand.

A bill deals with the Capitol Preservation Board, bringing all nearby buildings under the watch of the Preservation Board; the DUP Museum, Travel Council, the White Chapel, and the Greenhouse. Management of the entire Capitol Hill complex would be under the Preservation Board.

Another bill has been requested by Mr. Alder, the State Treasurer, involves the Board's responsibility when it acts as the Building Ownership Authority. The proposal is that the State Bonding Commission would handle the responsibility of debt issuance.

Chairman Adams mentioned that the Board has approved bond issues for revenue-bonded projects such as liquor stores. The Chair and Secretary sign the bonds, and it's been a duty of the Board. The Treasurer feels that the privilege belongs in the hands of the Treasurer.

The main issue is how to work out the segregation between debt issuance and the other role the Ownership Authority has of holding title to property and being responsible for its construction. The statute needs to be designed so that the Treasurer would have responsibility for debt issuance and the Building Board would still have the responsibility for purchase and construction. Chairman Adams supported the transfer of responsibility for debt issuance.

Byfield mentioned that it needs to be made clear that the Ownership Authority retains the privilege to hold title.

MOTION: Mr. Jenkins moved that the board delay action on the proposal to move the State Building Ownership Authority from the aegis of the State Building Board pending review of the actual bill. Motion is seconded and is passed unanimously.

Larry Newton from the State Office of Education suggested that some language could be clarified to include school districts in the definition of >local government= on page 8 of the proposed legislation, under 63A-5-206, item 1 -G. The Jordan School District is constructing a building on the Salt Lake Community College campus. The Chair asked if the Office of Education is exempt from local jurisdiction in construction. Mr. Newton answered in the affirmative, adding that USOE works with local jurisdictions on impact issues, but USOE remains exempt from inspections from the local governing authority. Chair asked Mr. Nye to collaborate with the USOE representative.



LONG-TERM LEASE FOR WASTE TRANSFER FACILITY.....

Mr. Nye presented the item. The Waste Transfer and Recycling facility has been approved by the legislature. Legislation requires that the facility be leased to a private entity. The site is 15 acres and would involve a company called ECDC, which will be responsible for the site utility work, while DFCM will lease them the 15 15 acres. ECDC will construct a 28,000 sq. ft. building for UCI to use at no cost. UCI will use the building to run the recycling program. ECDC will provide all off-site and on-site improvements. Rent will be paid on top of that - \$3,500 minimum with the rent determined at \$0.40 per ton of waste. There may be a change in the rent amount. The State of Utah has to come up with no up-front developmental costs. The rental fees go to UCI. Mr. Nye requested the board to allow DFCM to close the deal with ECDC as soon as possible.

MOTION: Joe Jenkins moved to allow DFCM to finalize the agreement with ECDC to transfer property and all other agreements thereto. Kay Waxman seconded. Motion passed unanimously.



PROPOSED ARTS, HISTORY, AND CULTURAL CENTER.....

Mr. Joe Jenkins presented on the proposed Arts, History, and Cultural Center. For some time, the History and Arts agencies have been seeking a joint facility to serve as a cultural center. A survey was conducted to determine the interest among Utahns to contribute financially to the construction of such a cultural facility. It was determined that the facility should be located downtown, and several sites were looked at, including the Rio Grande Depot, which was determined not to be large enough to handle Arts, History, and Archives. Land adjacent to the Rio Grande depot was sought upon which

to build a new structure. The total facility could cost between \$52 and \$55 million. About \$25 million would be raised through private funds and the balance by the State. Mr. Jenkins believes that the Rio Grande facility, renovated correctly, could provide a great venue for the Cultural Center. and could upgrade that neighborhood in Salt Lake City.

Ms. Waxman mentioned in regard to state funds being raised first, before private donations, it is her suggestion that private donations be raised first because it relieves pressure on the private fund-raising if there is the knowledge that \$25 million is already committed.



EXECUTIVE REPORT ON FLORIDA=S FACILITIES POOL.....

The Chairman Adams mentioned that, last meeting, Board members received from DFCM a large document detailing the statute from the State of Florida establishing a level of rents on buildings that would be built by the state. Mr. Kent Beers was asked to present an executive summary on the statute to determine the viability of such a program in Utah. The legislation authorized the State of Florida Division of Facilities Management to create a facilities pool. Agencies occupying space in the pool contract for space with the Division of Facilities Management and pay rent for the space. The pooled rentals are used for four purposes: 1) to make payments on revenue bonds issued for the construction or acquisition of prototypical office buildings; 2) to fund capital improvements of buildings within the pool; 3) to operate and maintain the buildings within the pool; 4) to provide building security. Rentals collected by the pool must be used by Facilities Construction and Management and cannot be invaded by the Legislature for other purposes. Buildings in the pool are general-purpose office structures and exclude Higher Education buildings.

Mr. Beers reviewed for the board Florida=s prototypical building design scheme.

Ms. Waxman mentioned that the pool creates no new money. It has to be appropriated, whether directly to AR&I or to DFCM. It creates another administrative step. She would like DFCM to talk to the legislative fiscal analyst and the Division of Finance to figure out what kind of administrative impact there would be.

Chairman Adams mentioned that the program needs more analysis. The Board asked the staff to proceed with the analysis.



OTHER BUSINESS.....

Mr. Jenkins mentioned that State statute requires and gives the Board the opportunity

to create rules for operation of the Board and DFCM. Mr. Jenkins would like to propose two rules: first, to explore performance-based procurement which would impact all of the public. He would like to start the process of exploring the rule-making process. Second: the Board has never completely defined how they go through the process of determining criteria and the group of projects that we do in the October meeting. There is a misunderstanding between some state agencies and institutions on how the Board goes about it's decision-making. The Board needs to clarify the agencies= roles and their own.

Chairman Adams added that, regarding the first proposal, he would like the rule presented in a way such that the Board can quickly come to grips with the Performance Based Procurement System.

Chair Adams asked that this be initiated at the next meeting. Policies can be enacted by the Director of DFCM. There is also rule-making authority on the part of the Executive Director of the Department of Administrative Services.

① **DFCM ADMINISTRATIVE REPORT**

Mr. Nye said that the critical item in the Administrative Report the Contingency Fund and the Project Reserve Fund. In the past, DFCM has not reported on the Transportation Funds as related to these funds. The State=s constitution requires that Transportation Funds be kept separate from other funds and used only for Transportation purposes. As a result, when DFCM has had projects funded from the Transportation Fund, DFCM has not commingled their contingency issues with the regular contingency fund. It has been decided that it should be reported to the Board each month. From here on it will be a separate column on the report. The Transportation Funds will continue to be segregated.

DFCM is recommending that \$300,000 of excess in the Project Reserve component of the Transportation Fund to be redirected by the Legislature to other Transportation Fund projects as recommended by the Board. Chairman Adams asked DFCM to notify the Legislature of their desire to move the funds accordingly.

① **NEXT MEETING/ADJOURNMENT**

The next Utah State Building Board meeting was scheduled as follows:

DATE: February 2, 2000 (changed from February 3, 2000)
TIME: 9:00 a.m.
PLACE: State Library for the Visually Impaired

250 N. 1950 W.
Salt Lake City

MOTION: Mr. Jenkins moved that the Board go into executive session for the purpose of discussing litigation matters. Chuck Canfield seconds. Motion passes unanimously.

At the conclusion of the closed session, the Building Board adjourned the meeting at 2:02 p.m.